

CITY AND COUNTY OF SAN FRANCISCO

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**AIRPORT
COMMISSION:**

Concession Audit of British
Airways, PLC

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Audit Number 01003
October 10, 2001

Edward Harrington
ControllerMatthew H. Hymel
Chief Assistant Controller

October 10, 2001

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San Francisco Airport Commission
PO Box 8097
San Francisco International Airport
San Francisco, California 94128-8097**President and Members:**

The Controller's Audits Division presents its report concerning the audit of British Airways, PLC (British Airways). British Airways has a lease and operating agreement with the Airport Commission of the City and County of San Francisco to use the landing field facilities at the San Francisco International Airport for its air transportation business.

Reporting Period: July 1, 1998, through March 31, 2001**Landing Fees Paid:** \$2,025,726

Results: British Airways correctly reported 1,787 revenue aircraft landings. However, British Airways over-reported the maximum landing weight of one of its aircraft types to the Airport Department. As a result of this error, British Airways overpaid its landing fees by \$57,447.

British Airways concurs with our report. The Controller's Audits Division will be working with the Airport Department to follow up every six months on the status of the recommendations.

Respectfully submitted,

NORIAKI HIRASUNA
Director

AUDIT RESULTS

BRITISH AIRWAYS PAID EXCESS LANDING FEES

From July 1, 1998, through March 31, 2001, British Airways, PLC (British Airways) correctly reported 1,787 revenue aircraft landings and paid \$2,025,726 in landing fees to the Airport Department (Airport). British Airways pays fees for using the landing facilities at the San Francisco International Airport (SFO) for its air transportation business. However, British Airways reported the incorrect maximum landing weight for its 747-400 aircraft type to the Airport, resulting in the payment of excess landing fees. British Airways reported to the Airport the maximum landing weight for its 747-400 aircraft type as 650,632 pounds, rather than the correct weight of 630,000 pounds. Consequently, the Airport calculated the landing fees based on the higher, incorrect maximum landing weight and overcharged British Airways by \$57,447. The table below shows the calculation of the overpayment by British Airways for 1,555 landings of its 747-400 type aircraft during the audit period.

Calculation of Overpayment of Landing Fees
July 1, 1998, Through March 31, 2001


Fiscal Year (Note 1)	Reported Landings	Reported Landing Weights	Audited Landing Weights	Overreported Landing Weights	Overpaid Fees (Note 2)
1998-99	413	268,711,016	260,190,000	8,521,016	\$12,483
1999-00	639	415,753,848	402,570,000	13,183,848	24,364
2000-01	503	327,267,896	316,890,000	10,377,896	20,600
Total	1,555	1,011,732,760	979,650,000	32,082,760	\$57,447

Notes: 1. Fiscal year 2000-01 contains figures through March 2001, the end of the audit period.

2. The landing fee rate per 1,000 pounds was \$1.465 for fiscal year 1998-99, \$1.848 for fiscal year 1999-00 and \$1.985 for fiscal year 2000-01.

Background

British Airways has a lease and operating agreement with the Airport Commission (commission) of the City and County of San Francisco to use the landing facilities at SFO for its air transportation business. British Airways entered into this agreement on October 1, 1999, which replaced the previous operating permit dated May 1, 1997. The agreement expires on June 30, 2011. The lease and operating agreement and the operating permit require British Airways to submit to the Airport a monthly report listing the actual revenue aircraft arrivals by type of equipment and other data necessary to calculate the amount of landing fees incurred.



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The Airport charges British Airways a landing fee based on the maximum landing weight of aircraft making revenue landings at SFO. For every 1,000 pounds of aircraft landed, the commission sets a fee that it may change annually. For the period we reviewed, the commission set a fee of \$1.465 for fiscal year 1998-99, \$1.848 for fiscal year 1999-00 and \$1.985 for fiscal year 2000-01.

Scope and Methodology

The purpose of this audit was to determine if British Airways complied with the reporting and payment provisions of its operating permit in effect prior to October 1, 1999, and the lease and operating agreement applicable from October 1, 1999, through the end of the audit period. To conduct the audit, we reviewed the applicable terms of the permit and agreement and the adequacy of British Airways' procedures for recording, summarizing, and reporting revenue aircraft landings. On a sample basis, we tested whether British Airways accurately reported its revenue aircraft landings and the maximum landing weights of aircraft landing at SFO. We also determined whether British Airways had any outstanding payments due to the Airport for the audit period.

RECOMMENDATIONS:

We recommend that the Airport:

- Credit British Airways \$57,447 for overpaying its landing fees for the period we reviewed.
- Request British Airways to review its records to determine whether it also incorrectly reported the maximum landing weight of its 747-400 aircraft prior to the beginning of our audit period, and subsequent to the end of our audit period. If it did, British Airways should request the Airport to credit British Airways for any overpayments.
- Request British Airways to report the correct maximum landing weight of its 747-400 aircraft type on the Monthly Air Traffic Activity Reports submitted to the Airport.

We conducted this review according to generally accepted government auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Staff: Elisa Sullivan, Audit Manager
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cc: Mayor
Board of Supervisors
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